

OUTLOOK

A Publication Of The South Dakota Retirement System

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Dramatic Growth Since 1974

SDRS Adds Fuel To State's Economy

Nearly two billion dollars — that's how much SDRS has paid to retired members since 1974. And over the next four years, the System expects to pay out \$1 billion more.

But numbers alone don't tell the whole story of SDRS' powerful

economic impact. Just as important as the billions in benefits is the way they're distributed: SDRS dollars reach into every corner of South Dakota, from Buffalo to Vermillion, from Hot Springs to Sisseton.

"Retired SDRS members live in every one of South Dakota's

66 counties," says Elmer Brinkman, Chair of the SDRS Board of Trustees. "That means SDRS dollars are spent all across the state, in the smallest towns as well as the largest cities."

Benefits Create Stability For Retirees, Economy

Approximately 90 percent of SDRS members remain within the state after retirement, and 90 percent of the total SDRS benefit dollars stay here, too. SDRS retirees give their local economies a boost as they pay bills, buy groceries and fill up their gas tanks.

While other sectors of the state's economy are seasonal — such as tourism, which booms in the summer, and agriculture, which peaks in late fall — the economic fuel of SDRS benefits flows consistently year-round.

"Our members enjoy a steady source of income that's not affected by season or by changing market conditions," Brinkman says. "That money helps provide security for those retirees and also lends stability to the state's economy."

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Governor's Proclamation Marks SDRS' 30th Anniversary



South Dakota Gov. Mike Rounds presents the 30 Years of Operations Proclamation to the SDRS Board of Trustees. Pictured, left to right, are Justice Steve Zinter, Wade Hubbard (SDRS General Counsel), Sandy Zinter, Rob Wylie (SDRS Administrator), Damian Prunty (SDRS Director of Operations), Louise Loban, Governor Rounds, Wes Tschetter, Darwin Longeliere, Elmer Brinkman (Board Chair), Eric Stroeder, Jason Dilges, KJ McDonald, Dave Merrill and Dr. James Hansen.

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SDRS Adds Fuel To State's Economy


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"We don't usually think of retirement benefits as an economic stimulus," Brinkman says, "but SDRS exerts a powerful, positive economic influence on the entire state."

System's Impact Continues To Grow

Over the last 30 years SDRS has grown dramatically, with the total annual benefit payments increas-

ing as the System's active and retired membership expands. In 1974, the System distributed \$3.7 million to 3,400 retirees and had 24,600 contributing members. Today, SDRS retirees total 17,000 and contributing members number 36,000 — about 8 percent of South Dakota's workforce. This year SDRS benefits will pour nearly a quarter of a billion dollars into South Dakota's economy.

That amount already rivals the largest corporate payrolls in the state, but it's only the beginning, says Brinkman. "Baby boomers will start to retire in large numbers in the next few years, and that's when you'll really see SDRS' economic impact. I think its significance is going to surprise some people. It is amazing how successful SDRS has been over the last 30 years." 

SDRS Benefits Paid By County Of Residence

County	FY 2005 Members Receiving Benefits	Annual Benefits ¹	County	FY 2005 Members Receiving Benefits	Annual Benefits ¹	County	FY 2005 Members Receiving Benefits	Annual Benefits ¹
Aurora	100	\$894	Fall River	212	1,713	McPherson	60	548
Beadle	437	5,096	Faulk	112	1,026	Meade	395	4,777
Bennett	34	331	Grant	165	1,784	Mellette	35	296
Bon Homme	219	2,154	Gregory	101	1,117	Miner	67	613
Brookings	951	14,027	Haakon	41	421	Minnehaha	1,677	27,101
Brown	845	11,307	Hamlin	112	1,279	Moody	117	1,193
Brule	101	1,074	Hand	84	948	Pennington	1,854	26,963
Buffalo	2	8	Hanson	38	350	Perkins	69	661
Butte	196	1,946	Harding	24	182	Potter	76	823
Campbell	43	409	Hughes	1,019	16,882	Roberts	178	1,870
Charles Mix	178	1,943	Hutchinson	194	2,148	Sanborn	69	689
Clark	94	767	Hyde	41	351	Shannon	8	95
Clay	446	6,817	Jackson	37	493	Spink	376	3,320
Codington	493	6,981	Jerauld	58	539	Stanley	120	1,683
Corson	35	430	Jones	27	284	Sully	28	220
Custer	204	2,521	Kingsbury	108	1,201	Todd	35	351
Davison	421	5,286	Lake	324	4,238	Tripp	139	1,522
Day	156	1,733	Lawrence	574	7,507	Turner	181	1,718
Deuel	93	620	Lincoln	226	2,594	Union	187	2,076
Dewey	56	566	Lyman	52	628	Walworth	180	2,098
Douglas	47	487	Marshall	128	1,338	Yankton	597	6,754
Edmunds	69	762	McCook	76	986	Ziebach	13	113

Total Benefits Payable By County 15,434² \$199,652³

¹In thousands.

²Including the 2,112 retirees residing outside South Dakota, 17,546 members received benefits for FY 2005.

³Including the \$22,160,398 paid to retirees residing outside South Dakota, members received \$221,811,991 in benefits for FY 2005.



Board Notes

The following is a summary of major issues that came before the SDRS Board of Trustees at its meetings on April 14 and June 9, 2005.

April 14, 2005

2005 Legislation

Rob Wylie, SDRS' Administrator, reported that all five of the board's proposed legislative changes were passed by the 2005 Legislature. As reported by Jane Roberts, SDRS' Finance Officer, the Legislature made no changes to the System's fiscal year 2006 budget.

Financial Status

Matt Clark, State Investment Officer, reported that the annualized investment return as of April 14, 2005, was approximately 9 percent.

Koren Holden, Buck Consultants, presented information on the System's actuarial and market value of assets and the dollars in the reserve and cushion.

Interest On Withdrawn Contributions

The Board set the effective rate of interest paid on contributions withdrawn from SDRS at 1.23 percent for FY 2006.

Reports And Discussions

A Board discussion led by Ms. Holden covered national issues pertaining to pension reform.

Mr. Wylie gave a status report on the special pay plan, which has been in effect for nine months. Seventy-seven employers currently participate, and 123 members have terminated under the plan.

Wade Hubbard, SDRS' General Counsel, described possible technical

changes in retirement laws to recommend to the 2006 Legislature.

The Board approved negotiating with a consulting firm to study SDRS' member services and to make recommendations for change.

Rules Changes

The Board voted to accept changes to SDRS rules as presented in the rules hearing held on April 14, 2005.

Trustee Attendance At Board Meeting
Present: Elmer Brinkman, Brian Berglin, Carol Burch, Tracy Dahl-Webb, Jason Dilges, Bryan Gortmaker, James Hansen, Royce Hueners, Louise Loban, Darwin Longeliere, Dave Merrill, Eric Stroeder, Wes Tschetter, Sandy Zinter, Matt Clark ex officio.

Absent: KJ McDonald, Justice Steven Zinter.

June 9, 2005

Financial Status

Jane Roberts, SDRS' Finance Officer, presented the FY 2007 budget, which was approved by the Board and will go to the Legislature for final approval.

Matt Clark, State Investment Officer, reported that the annualized investment return as of June 9, 2005, was approximately 11 percent.

Koren Holden, Buck Consultants, reported on the System's reserve and cushion projections.

Reports And Discussions

Rob Wylie recognized retiring SDRS Board Member Dave Merrill, who represented state employees for 20 years. Dawn Smith, SDRS, reported the election

of Laurie Gustafson and James Hansen to the Board of Trustees. Three incumbents — KJ McDonald, Royce Hueners and Brian Berglin — ran unopposed. All five Trustees will serve four-year terms.

A Board discussion led by Mr. Wylie focused on strategic planning and revisions to the SDRS mission statement. Mr. Wylie and Ms. Holden led a discussion on long-term goals.

Ms. Holden made presentations on retirement income needs and the effect proposed changes to Social Security might have on SDRS income replacement goals and benefit costs.

The Board appointed Mr. Wylie to continue to represent SDRS on the South Dakota Investment Council.

Corey Landeen, Executive Director of the South Dakota State Employees Organization, proposed resolutions regarding changes in benefits and retirement terms for state employees.

Mr. Hubbard presented proposed recommendations for the 2006 Legislature regarding the special pay plan and the timeframe for beginning benefit payments to retirees who return to work for an SDRS unit.

Trustee Attendance At Board Meeting
Present: Carol Burch, Matt Clark, Jason Dilges, Bryan Gortmaker, James Hansen, Royce Hueners, Louise Loban, Darwin Longeliere, KJ McDonald, Dave Merrill, Eric Stroeder, Sandy Zinter, Justice Steve Zinter

Absent: Brian Berglin, Elmer Brinkman, Tracy Dahl-Webb, Wes Tschetter.


You Should KNOW...



Credited Service Purchase Rates Reduced For Active Military

A new law that took effect July 1 reduces the rates for purchasing prior credited service for SDRS members in the National Guard and Reserve called to active military duty. You qualify for the reduced rate if you

- were mobilized to active federal military duty between February 1, 2002, and September 30, 2004
- return to active SDRS status
- purchase the service within two years of release from active duty

The rate to purchase credited service is 75 percent of the combined member and employer contribution rates that were applicable at the time the service was performed. All other service purchase requirements remain the same. 

Five Board Members Begin New Terms

In June, members sent one new member and returned four incumbents to the SDRS Board of Trustees.

State employees elected Laurie Gustafson, Labor Law Compliance Officer with the state Department of Transportation, as their new representative. Ms. Gustafson takes the seat vacated by retiring Board Member David Merrill. Twenty percent of eligible voters participated, casting

1,629 ballots; Ms. Gustafson won by a margin of 745 votes.

In the race for retiree representative, incumbent Dr. James Hansen, a retired educator and former Secretary of the SD Department of Education and Cultural Affairs, defeated eight challengers. Forty percent of eligible voters participated, casting 5,933 ballots; Dr. Hansen won by a margin of 969 votes.

Running unopposed were Kathy

"KJ" McDonald, County Employees Representative; Royce Hueners, Elected Municipal Officials Representative, and Brian Berglin, Teachers Representative. Each will serve another four-year term.

In 2006, classified employees, public safety employees and teachers will elect representatives to the SDRS board. **OUTLOOK**



Laurie Gustafson



Dr. James Hansen



KJ McDonald



Royce Hueners



Brian Berglin

Account Information Whenever You Want It

Find Your Benefits Statement Online At My SDRS

Want to know the lifetime value of your SDRS benefit? Need to look up your total contributions? Log in to My SDRS, the members-only section of the new SDRS Web site (www.sdrs.sd.gov). There, you can access your personal account information, including your most recent Personal Benefits Statement. The online statement contains the same information as the paper version mailed to you annually, such as current and projected contributions and benefits.

Not yet using My SDRS? Registration is quick and easy, and gives you convenient access to your individual account information. Visit www.sdrs.sd.gov to get started today. **OUTLOOK**

1

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2

My SDRS Personal Info

Login ID:

Password:

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3

The South Dakota Retirement System (SDRS) provides a foundation for the financial future of over 65,000 members and their families. Our mission is to plan, implement and administer income replacement programs that give SDRS members and their families the opportunity to achieve financial security at retirement, death or disability by providing an outstanding, appropriate and equitable level of benefits.

- 1 Use these links to find SDRS news, publications, retirement planning schedules and calculators.
- 2 You'll log in here to access My SDRS using your ID and password.
- 3 The first time you visit My SDRS, click here to register for your SDRS ID and password.

SDRS STATE-WIDE INDIVIDUAL COUNSELING SCHEDULE*

SCHEDULE DATE	CITY	COUNTY	LOCATION	ADDRESS	DEADLINE TO SCHEDULE**
August 23, 2005	Clark	Clark	Community Room	111 W. 1st	August 18
August 30, 2005	Elk Point	Union	Community Room	209 E. Main	August 25
September 6, 2005	Huron	Beadle, Sanborn	Crossroads	100 4th Street	September 1
September 13, 2005	Redfield	Spink	Senior Center	728 Main Street	September 8
September 20, 2005	Eagle Butte	Dewey, Ziebach	Landmark Hall	S. Main	September 15
September 27, 2005	Salem	McCook	REA Room	236 N. Main	September 22

* See the SDRS Web site for a more complete schedule. ** Individual retirement counseling sessions must be scheduled before noon on this date.

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by the Legislature. Before 1974, South Dakota was like a lot of states today — it had a separate retirement plan for every group of public employees, which added up to 11 different plans. When SDRS was created in 1974, all these plans were consolidated into a single entity, making SDRS one of the first integrated systems in the nation. And that's been a tremendous operational advantage, which often tends to be overlooked.

There's another structural difference that distinguishes SDRS from other plans. In many states, investing the dollars in the trust fund and managing benefits are the responsibility of a single board. In South Dakota, those responsibilities are separated. The SDRS Board has the task of administering benefits, while the Investment Council manages the System's assets. The division has allowed both groups to specialize and focus on their own area of expertise.

Outlook: Can you pick out an SDRS innovation that you see as being exceptional?

Wylie: There have been a lot of innovations in SDRS over the

last 30 years, but creating a reserve to pre-fund benefit improvements was truly exceptional. The reserve has allowed us to pay for benefit improvements up front and has been the safety net that protected the System during the financial markets' set-backs of

that the markets were weakening. After a lot of analysis and discussion, the Board decided against an increase, and that was absolutely the right decision. We now know we were at the beginning of a two-and-a-half year period of devastatingly low investment

returns. Instead of funding an improvement, the money buffered the negative effect of losses and helped to fully protect the System.

Legislative Committees Vital To SDRS' Long-Term Success




Working in cooperation with the SDRS Board of Trustees, the South Dakota Legislature's Retirement Laws Committees have helped ensure the System's long-term success. Seated, left to right, committee members include Rep. Lou Sebert, Rep. Matt Michels (Chair of the House Committee), Brock Greenfield (Chair of the Senate Committee), Rep. Tim Rounds, Rep. Elaine Roberts, Rep. Burt Elliott, Sen. Dan Sutton, Sen. William Earley and Sen. Jerry Apa.

2000–2002. It's worked exceedingly well here, and the idea has now been adopted by other states.

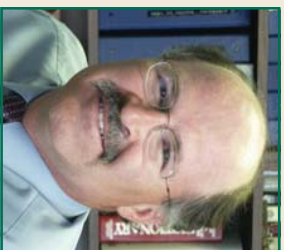
Outlook: As you look back, what was the most significant decision the system made?

Wylie: Again, there have been a number of them, but the Board's decision not to recommend a benefit increase for fiscal year 2001 would be near the top of the list. We had money in the reserve to pay for the benefit improvement, and there were solid reasons for going forward with an increase. But we also had good data to show

Outlook: And as you look to the future, what will be critical for the continued success of SDRS?

Wylie: The founding principle behind SDRS was consolidation, and after 30 years, the fundamental strength of SDRS is still its unity. The outstanding progress that we've made has only been possible because we've been a consolidated plan. It has allowed us to be efficient in our administration, equitable in the structuring of benefits and effective in our pursuit of excellence. It's taken effort, however, to ensure that our unity hasn't eroded over the years, that we haven't gradually become fragmented. A fully consolidated system isn't something we can do without, but neither is it something that we can ever take for granted. 

"After 30 years, the fundamental strength of SDRS is still its unity."



Rob Wylie

Outlook Interview

Rob Wylie has served as SDRS' Administrator since 2003. Prior to his appointment, he was the System's Finance Officer for 15 years.

In recent months, the national news has been filled with articles describing the failures of both public and private sector retirement plans. In the following interview, Rob Wylie explains why SDRS is an exception, remaining robust at a time when other plans have stumbled.

"That means SDRS can ... continue to pay all of its promised benefits for the foreseeable future."

Outlook: Almost all the news about retirement systems today is bad — airline employee benefits cut by 50 percent, defined benefit plans terminated in favor of defined contribution plans, and public plan funding levels dropping to serious lows. In contrast, after 30 years of operations, all the news about SDRS seems to be good news.

Wylie: There's certainly a lot of good news about SDRS. For example, retirement benefit pay-

ments are now 60 times greater than they were in 1974. Additionally, the System is still 100 percent funded at a time when the average funded ratio for public retirement plans is about 85 percent. That means SDRS can maintain the current benefit and contribution levels and continue to pay all of its promised benefits for the foreseeable future. I am aware of only one other public plan in the nation that has the financial strength of SDRS.

The System has also benefited greatly from the support of the members, participating employers and particularly the Legislature and Executive Branch. All of these groups working together on behalf of all public employees have been vital to the success of the plan.

Outlook: Why has SDRS been able to achieve what other systems haven't?

Wylie: The answer begins with how the System was initially structured

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South Dakota Retirement System
P.O. Box 1098
Pierre, South Dakota 57501

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